Health Infrastructure Renewal Fund Guidelines

Ministry of Health and Long-Term Care
Capital Planning and Strategies Branch

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Ontario

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Executive Summary

Hospitals are responsible for ensuring that their facilities are in a good state of repair by managing their capital assets and planning renewal activities.

The Ministry of Health and Long-Term Care (ministry) established the Health Infrastructure Renewal Fund (HIRF) in 1999 to assist hospitals in renewing their hospital facilities. The HIRF program was reformed in 2004 to streamline minor (less than $1 million) infrastructure renewal project approvals and to distribute infrastructure renewal funds annually to public hospitals. The HIRF grant is to be used to supplement a hospital's renewal needs on a priority basis.

The ministry's HIRF allocation is distributed to hospitals using an activity-based distribution formula. The formula provides for an initial per site minimum amount. Any remainder to the ministry's HIRF allocation is then distributed to each hospital using an activity-based measure derived from ministry base operating funding. The formula includes a northern adjustment to reflect the greater costs of developing capital projects in the north.

A hospital may use its HIRF grant to develop minor capital projects that extend the useful life of the hospital facility or to improve the hospital facility's quality or functionality, provided that such improvements do not result in an increase to the hospital's approved operating funding base.

The HIRF grant must first be used to address a hospital's critical or highest priority projects, which hospitals are responsible for identifying. These projects may include those required to address:

- Requirements under the Ontario Building Code and Ontario Fire Code,
- Requirements under the Occupational Health and Safety Act,
- Other facility related legislative requirements,
- Or prevent interruptions in the operation of a facility.

The ministry has streamlined the HIRF project approvals to enable hospitals to undertake minor capital projects in a timely manner. Each hospital must follow the ministry's HIRF project reporting process as well as comply with ministry policies on project procurement and the public tendering process as described in the Capital Planning Manual.

Subsequent to being informed of its HIRF grant, each hospital must submit a plan that outlines the intended use of its HIRF grant. The ministry will review the plan against program eligibility requirements and inform each hospital of the projects it is approved to proceed to implement.

At the completion of one year's HIRF activity (i.e., for the 2004/05 fiscal year), and as described in Section 5, "Reporting Requirements", each hospital is required to report actual expenditures for the fiscal year (2004/05) completed:

- In a Fiscal Year-end Report(s), to be submitted for 2004/05 fiscal year with the hospital's submission of its 2005/06 Project Proposal; and

- In an audited financial statement, signed by the hospital's external independent auditor, attesting to the expenditures made in the previous (2004/05) fiscal year with the hospital's submission of its 2005/06 Project Proposal.

As part of HIRF reform, the ministry plans to implement a Facility Condition Assessment Program (FCAP) over the next several years to determine the state of hospital capital assets, renewal requirements and grant performance. The program will be used to support future recommendations on health capital investment policy. When it is implemented, hospitals will be required to use the resulting information obtained to set their HIRF project priorities.

Electronic copies of these HIRF Guidelines, the associated Health Infrastructure Renewal Fund Template, and instructions for completing it may be obtained from: http://www.health.gov.on.ca/english/providers/providers_mn.html#capital.

1. Introduction

Health care transfer-payment partners such as hospitals are responsible for ensuring that facilities are in a good state of repair by managing their capital assets and planning renewal activities.

The Ministry of Health and Long-Term Care (ministry) recognizes the need for the renewal of health care infrastructure. The ministry's Health Infrastructure Renewal Fund (HIRF) program, through which grants are available to hospitals, is intended to supplement a hospital's existing renewal program for its hospital facility, and to help it address renewal needs on a priority basis. Hospitals undertaking renewal projects (e.g., replacement of roofing systems, boilers, windows, etc.) follow the ministry's streamlined HIRF approval process. The HIRF reporting requirements are designed to enable hospitals to engage in annual facility renewal in a timely manner.

Hospitals are provided with a HIRF grant, subject to program guidelines, regardless of their ability to raise a local share of project costs. Under HIRF, hospitals are not subject to any cost-sharing requirements and can use their HIRF grant to fund eligible projects at rates of up to 100 percent.

Hospitals can select projects based on their own renewal priorities, subject to the program eligibility criteria and reporting requirements outlined in Section 3, "Priorities of the HIRF Program" and "Eligible Projects" below. Each hospital is responsible for ensuring that it undertakes work of the highest priority.

2. How Grants Are Determined for Individual Hospitals

Conditional upon an appropriation of funds by government (or the Legislative Assembly of Ontario) the ministry distributes its HIRF allocation across the public hospital sector so that each public hospital receives a HIRF grant. The distribution mechanism is designed to provide hospitals with a stable and predictable basis of HIRF funding from one fiscal year to the next.

2.1 Distribution Methodology

The distribution model is used to distribute a finite ministry allocation among all hospitals in an equitable manner using an activity-based formula derived from ministry operating funding, which represents the best approximation of the relative renewal needs of hospitals.

Every HIRF grant includes an initial per site minimum amount. Any remainder to the ministry's HIRF allocation is distributed and added to the minimum per site amount, as follows:

- Activity-based measure derived from the ministry base operating funding,

- Northern Adjustment Factor applied, where applicable, to both the minimum amount and the activity-based measure.

The distribution formula has the following key components:

A. Every HIRF grant includes a **minimum amount** of $150,000 per site. This allows each public hospital corporation to undertake at least one meaningful capital project on each site each year and recognizes the higher costs of developing capital projects at multiple hospital sites. The ministry does not allocate funding specific to any site. Each hospital corporation is responsible for determining its priorities across its sites.

B. The remainder of the ministry's HIRF allocation is then distributed using an **activity-based measure** among all hospitals. This measure estimates relative renewal needs and reflects the differing renewal requirements of hospitals with differing intensities of service delivery. A three-year moving average of ministry base operating funding (excluding one-time funding) for each hospital corporation is calculated, and each hospital's share of the three-year moving average is used to distribute the remainder of the fund. (See Appendix A, "Distribution Model Specifications," for a detailed description of the model.)

C. A **Northern Adjustment Factor** is used to determine the relative renewal needs of northern hospitals and reflects the higher costs of delivering infrastructure projects at hospitals in northern Ontario, owing to factors such as higher costs for delivery of supplies, higher wage rates, severe weather conditions, and a shorter construction season. The initial minimum amount and the three-year moving average of base operating funding for each hospital in the north region is adjusted by the Northern Adjustment Factor applicable for the hospital's specific location. The percentage share of total base operating funding is then re-calculated for each hospital. The remainder of funds is distributed among all hospitals using their percentage share of the adjusted total hospital base funding allocation.

For the purposes of the HIRF grant, northern hospitals are defined as those reporting to the ministry's North Region Office.

The distribution model recognizes that the cost of developing capital projects also differs significantly between geographical areas **within** the north region. For example, project development costs faced by hospitals in the near north (e.g., Sudbury area, Parry Sound, North Bay) are only slightly greater than those faced by hospitals in other regions. Costs at hospitals in the remote north (e.g., Moosonee), where most supplies must be delivered from great distances and where appropriate labour is scarce, are substantially higher.

The Northern Adjustment Factor is consistent with known cost differences in construction projects in the north region (see Appendix B, "Northern Adjustment Factor by Area," for details).

Subject to/conditional on the annual appropriation of funds by the Legislative Assembly of Ontario released in the provincial Budget, the distribution model is applied to the ministry's allocation to determine the HIRF grant for each hospital. Hospitals are then informed of their grant. The grant determined for each hospital is a maximum allowance and, as a result, hospitals are not eligible for increases in their grant.

3. Priorities of HIRF Program

The HIRF grant is aimed at supplementing an institution's existing facilities renewal program and addressing renewal requirements on a priority basis. Eligible projects must extend the useful life of the hospital facility.

HIRF projects must comply with all federal, provincial and municipal laws, statutes and codes relating to construction and renovation projects, and with ministry policies on eligible consultants and costs, project procurement and the public tendering process as described in the ministry's *Capital Planning Manual.*

HIRF grants must first be used to address projects of a critical or high priority nature. Hospitals are responsible for identifying these projects. The ministry will not consider additional requests or Capital Project Requests, for critical facility renewal funding where the HIRF grant has not been applied to the facility's critical priority projects.

The highest priority projects include those to address:

- Requirements under the Ontario Building Code and Ontario Fire Code,
- Requirements under the Health and Safety Act,
- Other facility related legislative requirements,
- Or prevent interruptions in the operation of a facility.

Only after all high priority health and safety projects have been addressed, can HIRF funds be used for projects of a lesser priority, such as projects:

- Deemed necessary to reduce or minimize downtime of building systems resulting from predictable building deterioration,
- That address accessibility issues (e.g., installing ramps to provide access for people with disabilities, renovating washrooms to provide barrier free access, etc.), and
- Intended to improve the efficiency of building systems (i.e., energy efficiency).

3.1 Eligible Projects and Costs

Within the context of "Priorities of the HIRF Program" above, the HIRF grant may be used only for costs associated with minor capital (including renewal) projects which, generally:

- Address replacement of systems as opposed to components of systems,
- Are valued at between $50,000 and $1 million,
- Require less than one year to complete,
- Do not require any increases to the hospital's balanced budget plan, and
- Do not require the preparation of a functional program.

Priorities for HIRF consideration are described in Section 3, "Priorities of HIRF Program". In addition, please refer to Appendix C, "Examples of Eligible and Ineligible HIRF Projects/Costs".

Shareable Fee Schedule
In compliance with existing ministry policies, the amount of funding allowed for consulting fees is limited. See the *Capital Planning Manual* (Appendix D – The ministry's Shareable Fee Schedule) for information on the ministry's shareable fee schedule.

3.2 Ineligible Projects and Costs

As indicated in the ministry's *Capital Planning Manual*, certain types of costs are ineligible for ministry capital funding. Similarly, under the HIRF program, certain types of costs are ineligible. Of particular note, HIRF grants cannot be directed towards:

- Maintenance issues, since maintenance costs are generally considered to be expenditures that are not expected to prolong an asset's economic life or improve its long-term efficiency. Maintenance costs, which are considered an operating expense, should be recorded as such in accordance with the *Ontario Health Care Reporting System Manual.*
- Infrastructure to accommodate additional beds or new/expanded programs or services
- Consulting fees for equipment, interior design and/or colours, landscape architecture, traffic, and/or kitchen/dietary issues
- Infrastructure issues for "extra-vote" programs (i.e., community-based mental health program, community-based substance abuse programs, etc.) and/or facilities (i.e., long-term care facilities) which may be operated by a hospital, but which receive operating funding outside the ministry's approved **hospital** operating budget.

Appendix C, "Examples of Eligible and Ineligible HIRF Projects/Costs" provides specific examples of ineligible projects costs.

4. Special Grants

Occasionally, the ministry may provide a special grant through the HIRF distribution mechanism or require a hospital to use a portion of its HIRF grant to address specific government priorities.

5. Reporting Requirements

HIRF project planning and reporting differ from that typically required for capital projects. The reporting requirements are outlined in Section 5.2, "HIRF Process – Approval and Reporting".

5.1 HIRF Template

The *Health Infrastructure Renewal Fund Template* (HIRF template) must be used for all HIRF submissions.

- **Project Proposal**: provides the ministry with information on planned HIRF projects.

- **Fiscal Year-end Project Report**: updates information as of the end of the fiscal year on the projects undertaken in the approved Project Proposal and the actual expenditures incurred against them.

  In 2005/06, one Fiscal Year-end Project Report must be completed specific to "sunset" projects. Another Fiscal Year-end Project Report must be completed for all other HIRF projects approved by the ministry in 2004/05.

- **Audit Statement:** the Audit Statement for the Fiscal Year-end Report for the previous fiscal year.

- **Revised Project Proposal** (where applicable): If there are changes during the year to a hospital's approved Project Proposal, provides the ministry with information on the revised HIRF projects planned.

The HIRF template and instructions for completing it are set out in separate documents.

5.2 HIRF Process – Approval and Reporting

The process for approving and reporting on HIRF projects has been streamlined from the 5 stages described in the ministry's *Capital Planning Manual* to 2 steps. Please refer to Appendix D: "Key Differences Between HIRF Approval Process and Traditional Capital Planning Process as Contained in the ministry's *Capital Planning Manual"* for the key changes.

The process for HIRF projects is outlined below:

1. As early as possible following the end of the fiscal year, a hospital submits the Fiscal Year-end Project Report reflecting its expenditures as of March 31, on the previous year's approved Project Proposal to its Hospital Consultants in its respective regional offices. For hospitals that received a HIRF grant comprising both formulaic and "sunset" components, the "sunset" projects must be reported on a separate Fiscal Year-end Project Report.

   For 2005/06, the 2004/05 Fiscal Year-end Project Report must be submitted with the Project Proposal for 2005/06 as explained in the administrative letter forwarded to your hospital by William Bailey, Director, Capital Planning and Strategies Branch.

   Ministry approval of a HIRF grant in the current fiscal year is conditional on the completion of the Fiscal Year-end Project Report for the previous year.

2. Subject to an annual appropriation from government released in the provincial Budget, the Minister informs each hospital in writing of that hospital's HIRF grant for the given fiscal year.

3. An administrative letter follows from the ministry requesting submission of a Project Proposal with a *specified deadline.*

4. *The 2005-06 Health Infrastructure Renewal Fund* template (HIRF template) is available electronically from the following internet address:

   http://www.health.gov.on.ca/english/providers/providers_mn.html#capital

5. Using the HIRF template, each hospital prepares a Project Proposal outlining the HIRF project(s) it proposes to undertake. Where work from the previous year's approved Project Proposal was not completed and/or the previous year's HIRF grant was not fully expended on work completed by March 31, the Project Proposal will need to include information on the remaining portion of previously approved work that is scheduled to be done during the current fiscal year.

   The hospital submits its completed Project Proposal, *endorsed by its hospital board* and signed by the Board Chair and CEO to its respective Hospital Consultant in the respective ministry regional office.

   Please note that the ministry's regional offices, in conjunction with the ministry's Capital Planning and Strategies Branch, are available and can be consulted by hospitals for advice on the development and/or finalization of the hospital's HIRF Project Proposal. Hospitals are encouraged to take advantage of this resource.

   For 2005/06, the 2005/06 Project Proposal submission must include the 2004/05 Fiscal Year-end Project Report and the Audit Statement for 2004/05 as explained in the administrative letter forwarded to your hospital by William Bailey, Director, Capital Planning and Strategies Branch.

6. The ministry reviews each Project Proposal against the HIRF eligibility criteria, confirms or ensures eligible costs are equal to or greater than the maximum HIRF grant approved and where applicable, ensures the local share plan is acceptable for any difference.

7. The ministry informs each hospital, in writing, of the projects in the Project Proposal towards which the approved grant can be applied.

8. The ministry initiates payment of a HIRF grant.

9. Hospitals proceed with implementation of the projects in the ministry-approved Project Proposal upon ministry approval (Step 7).

10. If there are changes during the year to a hospital's ministry-approved Project Proposal, the hospital must update and submit a revised Project Proposal to reflect such changes as per the submission requirements described in Step 5. Steps 6 and 7 will also be followed to obtain ministry approval.

11. After the end of the fiscal year, each hospital must submit the Fiscal Year-end Project Report template to report on the projects undertaken in the approved Project Proposal and the actual expenditures incurred against them.

    For hospitals whose ministry-approved Project Proposal includes "sunset" projects yet to be completed, the "sunset" projects must be reported in a separate Fiscal Year-end Project Report.

12. In future, by September 30, (or as noted in future instructions) each hospital must submit the Audit Statement for the previous fiscal year. A sample is included in the HIRF template.

    For 2005/06, the Audit Statement for 2004/05 must be submitted with the hospital's Project Proposal for 2005/06 as explained in the administrative letter forwarded to your hospital by William Bailey, Director, Capital Planning and Strategies Branch.

Project Proposal
The Project Proposal must be completed in its entirety for all new work proposed, one line per project. The template can accommodate five (5) projects, please group similar projects together under one project title (i.e., roof replacement at various sites, with the each site described). If more than five (5) projects are proposed, please use an additional template. For assistance in completing the template, please refer to a separate document entitled *HIRF Template Instructions* (December 2005).

If the template provides insufficient space to describe a particular project, the hospital must provide additional written information.

If, after March 31, work from the previous year's approved Project Proposal was not completed and/or the previous year's HIRF grant was not fully expended on work completed, the Project Proposal will need to include cumulative information on a single line for each ministry-approved project/number, on all previously approved work scheduled to be done during the current fiscal year. In these cases, it is necessary only to identify the location, short description specific to these previous approvals, ministry assigned project number in the long description, start and end dates and anticipated expenditures for the current fiscal year.

Hospitals must complete the "Source of Funds" section in the template to demonstrate it has adequate resources to complete, where applicable, its local share of listed projects.

The signatures of the hospital CEO and Chair of the hospital board attest that they have read, understood and agree with the information provided in the Project Proposal including the program conditions outlined in these guidelines, the total project cost and any local share requirements.

Fiscal Year-end Project Report
Following the end of the fiscal year, each hospital must submit a Fiscal Year-end Project Report using the HIRF template. The report must include the status of, and actual expenditures on, each project identified in the approved Project Proposal. For hospitals whose 2004/05 HIRF grant was comprised of both "sunset" and formulaic distribution, two Fiscal Year-end Project Reports are required:

- One to report on individual "sunset" project(s); and
- The other to report individually on all other HIRF project(s).

Where a project has not been completed, please provide the percentage of completion reached as of March 31. The report must include only those expenditures actually incurred in the fiscal year for which the report pertains.

The ministry expects projects will be completed within the same fiscal year as approved by the ministry. However if delays have occurred in the implementation of the project(s), then the Fiscal Year-end Project Report should include information about expenditures to date (as of March 31) and the unexpended balance, if any, of the HIRF allocation for the fiscal year as well as a statement of the intent to complete the project(s) and an explanation of the cause of delay. Please refer to 5.3 Unexpended Balance of Grant for details.

Ministry approval of a Project Proposal for the current fiscal year is conditional on the ministry receiving a completed Fiscal Year-end Project Report for the previous approved Project Proposal.

Auditor's Report
Each hospital must demonstrate compliance with HIRF guidelines and the Capital Planning Manual, as well as certify its HIRF expenditures for the previous fiscal year by submitting an Auditor's Report no later than September 30, signed by the hospital's external independent auditor. The Audit Statement in the HIRF template can be used for this purpose.

For 2005/06, the Audit Statement for 2004/05 must be submitted with the hospital's Project Proposal for 2005/06 as explained in the administrative letter forwarded to your hospital by William Bailey, Director, Capital Planning and Strategies Branch.

5.3 Unexpended Balance of Grant

The ministry recognizes that certain projects may be completed under budget as a result of good business practice. While the ministry does not expect program surpluses to occur under normal circumstances, if a hospital experiences an unexpended balance of its HIRF grant at the end of the fiscal year as a result of unexpected circumstances, these funds may be carried forward (with interest) to be applied towards eligible projects in the following fiscal year.

If an unexpended balance is due to:

- Project delays, HIRF grants (or portions thereof) may be carried forward from the previous (2004/05) fiscal year to the current (2005/06) fiscal year for application to the delayed project. The Fiscal Year-end Project Report for 2004/05 must be accompanied by a hospital statement of intent to complete the project(s) affected, an explanation of the cause of the expenditure delay, and the anticipated project completion date. The Auditor's Report for the previous (2004/05) fiscal year must confirm expenditures for the previous (2004/05) fiscal year as well as the unexpended balance for the previous (2004/05) fiscal year.

- Projects delivered under budget, HIRF grants (or portions thereof) may be carried forward from the previous (2004/05) fiscal year to the current (2005/06) fiscal year to be applied to new projects that meet HIRF eligibility criteria. These new projects must be identified in the Project Proposal for the current (2005/06) fiscal year and undergo the ministry approval process. The Auditor's Report for the previous (2004/05) fiscal year must confirm expenditures for the previous (2004/05) fiscal year as well as the unexpended balance for the previous (2004/05) fiscal year.

Hospitals are not permitted to accumulate a year-over-year balance, to retain as a reserve. If the ministry finds evidence of an accumulated surplus/balance, funds will be recovered through an equal reduction in the hospital's HIRF grant in the subsequent fiscal year.

Sunset Projects
"Sunset projects" are defined as infrastructure projects which:

- Had an existing ministry capital grant commitment prior to the reform of the HIRF program in fiscal year 2004/05; and
- Were in process prior to the reform of the HIRF program in 2004/05; and
- Were not complete by and/or settled by March 31, 2004; and
- Were subsequently transitioned into the reform of the HIRF program in fiscal year 2004/05 through the ministry providing, through an HIRF grant in 2004/05, the hospital with any remaining payments towards the approved grant amount.

It is important to note that hospitals that received funding in 2004/05 for "sunset" projects not completed in 2004/05 must use such funding only for existing ministry-approved "sunset" projects. Any funds for "sunset" projects remaining at the end of the fiscal year must be carried forward for use toward those same "sunset" projects, and accounted for in each Project Proposal and Fiscal Year-end Project Report until all the funds have been expended toward that project. A hospital may not use any new HIRF funding to increase the ministry's share towards that "sunset" project.

The progress of the "sunset" project must be documented in both the Project Proposal and Fiscal Year-end Project Report until the project is completed.

6. Conditions

Compliance with Laws
HIRF projects must comply with all federal, provincial and municipal laws, statutes and codes relating to construction and renovation projects.

Compliance with Ministry Policies
Hospitals must comply with ministry policies on eligible projects and costs as described in these *Health Infrastructure Renewal Fund Guidelines* and project procurement and the public tendering process as described in the ministry*'s Capital Planning Manual.*

Hospitals may expend HIRF funds only on the projects described in their Project Proposal which have been approved by the ministry. In the event that a hospital submits a Fiscal Year-end Project Report that is inconsistent with the approved Project Proposal, the ministry will take measures to recover HIRF funds expended on unapproved projects. Any portion of the HIRF grant that the ministry determines has been used for unapproved projects will be recovered through an adjustment in the HIRF grant the following year.

Annual Appropriation of Ministry Funding
Any payment of funds by the ministry under the HIRF program is conditional upon an appropriation of funds by the Legislative Assembly of Ontario, which has the sole authority to make such appropriations. Accordingly, the ministry makes no assurance that an appropriation will be made from year to year.

7. Cash Flow

The HIRF grant paid by the ministry will not exceed the maximum of the HIRF grant approved by the Minister of Health and Long-Term Care for that hospital. It is expected that the HIRF grant for a each hospital will be provided by the ministry in one lump-sum payment to the hospital, through direct deposit in accordance with ministry policies.

8. Facility Condition Assessment Program

In the next several years, the ministry intends to implement a Facility Condition Assessment Program (FCAP) to determine the condition of hospital capital assets, renewal requirements, and grant performance. The FCAP will be used to support future recommendations on health capital investment policy.

The main elements of the FCAP will include technical audits of hospital facilities, common asset management software, and a central database of information derived from facility audits. The program will measure the condition of hospitals' physical assets, thereby helping hospitals to set priorities for capital renewal projects and providing them with a tool to effectively manage facilities. It will also allow the ministry to determine the amounts of deferred hospital maintenance and identify areas of greatest need.

The program will provide asset information that includes a province-wide Facility Condition Index (FCI)—the ratio of the cost of renewal work deferred from previous years to the cost of replacing a facility. This will, for example, assist in making other capital planning decisions, such as determining when to invest in renewal and when to build new facilities. Guidelines for the Facilities Condition Assessment Program will be provided to hospitals once the FCAP is implemented. At that time, hospitals will be required to use assessment information to set project priorities. A hospital's acceptance of the HIRF grant will imply participation in the Facility Condition Assessment Program.

9. For More Information

Questions about the HIRF program should be directed to the hospital's prime ministry consultant (the Ministry Hospital Consultant).

Appendix A

Distribution Model Specifications

Distribution Model:

H	=	Total HIRF for year *i*
$Y_{A, i}$	=	HIRF grant to hospital A, in year *i*
F_A	=	Minimum grant amount for hospital A, where F = $150,000 per hospital site
FT	=	Sum of the minimum grant amounts provided to all hospitals (i.e. F x S_A x N_A summed over all hospitals)
S_A	=	Number of sites for hospital corporation A
N_A	=	Northern Adjustment Factor for hospital A; N = 1 for non-northern hospitals
A_i	=	Ministry operating funding to hospital A, for year *i*
B_{AVG}	=	Three year average of total Ministry funding to hospitals for year *i*, adjusted by the Northern Adjustment Factor

The HIRF grant amount for each hospital has been determined as follows:

Step 1: For each hospital, calculate the minimum amount, $F_A = F \ X \ S_A \ X \ N_A$

Step 2: Sum the minimum amount for all hospitals, $FT = \Sigma F_A$

Step 3: For each hospital, calculate the three-year average of Ministry base operating funding, and apply the Northern Adjustment Factor, $[(A_{2001/02} + A_{2002/03} + A_{2003/04})/3 \times N_A]$

Step 4: Calculate the three-year average of total Ministry operating funding to all hospitals, including the Northern Adjustment Factor, by summing the adjusted average operating funding obtained in Step 3,
$B_{iAVG} = \Sigma [(A_{2001/02} + A_{2002/03} + A_{2003/04})/3 \times N_A]$

Step 5: Calculate HIRF grant for each hospital by summing the hospital's minimum grant amount and its share of the remainder of the HIRF allocation:

$$Y_{A, 2004/05} = F_A + [(A_{2001/02} + A_{2002/03} + A_{2003/04})/3 \times N_A] / B_{AVG}] \times [H - FT]$$

Each hospital corporation receives a minimum HIRF grant amount of $150,000 per site. The distribution model contains a Northern Adjustment Factor to reflect the higher costs to deliver infrastructure projects at hospitals in northern Ontario. For these hospitals, the initial minimum grant amount is multiplied by the Northern Adjustment Factor that applies for the specific hospital location.

After the minimum grant amount is determined for each hospital, the remainder of the HIRF allocation is distributed among all hospitals using a three-year moving average of ministry base operating funding (not including one-time funding) for each hospital corporation as a share of the three-year moving average of total ministry operating funding.

The three-year average of ministry operating funding is multiplied by the Northern Adjustment Factor for each hospital in the North Region to determine a higher value for operating funding that is used in the formula. These "adjusted" operating funding values are summed across all hospitals to determine an adjusted total for ministry operating funding to all hospitals. All these "adjusted" values are used in the distribution formula.

Examples

Assumptions: For the following examples, it is assumed the total HIRF allocation (H) is $60,000,000, the total number of hospital sites is 213 (for simplicity assume, FT = 213 X $150,000 = $31,950,000), and that the three year average of total ministry base operating funding to hospitals (after the Northern Adjustment Factor has been applied) is $10,000,000,000.

Example 1:

Hospital X has received $120,000,000, $125,000,000, and $130,000,000 in ministry base operating funding in 2002/03, 2003/04 and 2004/05 respectively. This hospital has two sites located in the Eastern Region (no northern adjustment).

The grant is calculated as follows:

Grant = 2 X $150,000 X 1 + [($120,000,000 + $125,000,000 + $130,000,000M)/3 X 1] / $10,000,000,000 X [$60,000,000 – $31,950,000] = $650,625.

Example 2:

Hospital Y has received $48,000,000, $50,000,000, and $52,000,000 in ministry base operating funding in 2002/03, 2003/04 and 2004/05, respectively. This hospital has one site located in the North Region (northern adjustment included). The Northern Adjustment Factor is 1.1 for the geographical area of the North Region in which Hospital Y is located.

The grant is calculated as follows:

Grant = 1 X $150,000 X 1.1 + [($48,000,000 + $50,000,000 + $52,000,000)/3 X 1.1] / $10,000,000,000 X [$60,000,000 – $31,950,000] = $484,275.

Appendix B

Northern Adjustment Factor by Area

Location	Cost Gross Up Factor	Northern Adjustment Factor
Southern Ontario (Toronto Base Used)		1.00
Sudbury Base	+10 %	1.10
North Bay Base	+15 %	1.15
Sault Ste. Marie Base	+13 %	1.13
Timmins Base	+20 %	1.20
Thunder Bay Base	+20 %	1.20
James Bay Coast Base	+100 %	2.00
Manitoba Border	+15 %	1.15

Supplied by Bergeron Consultants Inc., Quantity Surveyors.

Appendix C

Examples of Eligible and Ineligible HIRF Projects/Costs

The following project examples are not intended to represent an exhaustive list, but to assist hospitals in better understanding the scope of projects that will be considered through the HIRF program.

Eligible Projects Required to Address Code Requirements

The following examples of projects are those which, if not undertaken, may result in a local authority issuing an "Order to Comply" to a hospital:

- Sprinklering sections of building
- Addressing penetration to fire separations
- Addressing egress from buildings
- Upgrading fire-alarm system

Eligible Projects Required to Address Health and Safety Requirements

The following examples of projects are those which, if not undertaken, may affect the health and safety of a hospital's patients, staff and visitors:

- Mould remediation
- Isolation room monitoring
- Inserting view panels in existing doors
- Installing, for security purposes, closed circuit television systems
- Replacing nurse call system
- Installing protective glass partitions
- Addressing hazardous materials
- Addressing barrier-free requirements (i.e., at hospital entrance/exit points, in washrooms, etc.)

Eligible Projects Required to Maintain Critical Operations

The following examples of projects are those which, if not undertaken, may affect the critical operations of a hospital:

- Replacing Roof/Roof sections
- Replacing pumps
- Replacing windows
- Replacing flooring
- Replacing AHU (Air Handling Unit)
- Replacing cooling tower
- Replacing transfer switch gear for emergency power
- Restoring exterior cladding (i.e., tuck/stone-pointing)
- Replacing/Upgrading Chiller
- Replacing boiler(s)
- Replacing HVAC (rooftop) unit
- Upgrading elevator(s)
- Replacing emergency generator(s)
- Replacing/Removing underground tank(s)
- Upgrading electrical distribution and/or supply
- Replacing bulk oxygen system

Eligible Projects Required to Reduce Operating Costs or Create Efficiencies

The following examples of projects are those which may reduce a hospital's operating costs:

- Lighting retrofits
- Co-generation
- Energy retrofits
- Removing asbestos
- Computerizing control systems

Projects that are INELIGIBLE for Consideration under the HIRF Program

The following examples of projects and/or costs are those that may be required/incurred by a hospital, but which are not eligible under the HIRF program. HIRF grants may not be directed towards the following:

- Patching roof/flooring systems
- Replacing hardware
- Duct cleaning
- Painting walls, ceilings, etc.
- Furnishings
- Addressing infrastructure issues for revenue generating areas (e.g., parking lots/garages, gift shops, etc.)
- Addressing any other regular maintenance issues
- Conducting planning and/or feasibility studies of any kind
- Planning/Undertaking large projects as defined in the note below.
- Consulting fees for:
  - equipment
  - interior design and/or colours
  - landscape architecture
  - traffic
  - kitchen/dietary issues
- Repairing leaks to window/skylights
- Water treatment
- Installing valves
- Gardens, works of art, and decorations
- Purchasing/Installing:
  - Medical equipment
  - Information technology
  - Communications technology
- Compensation for hospital staff engaged in renewal projects
- Financing charges and/or campaign costs associated with fundraising
- Addressing infrastructure issues for "extra-vote" programs (i.e., community-based mental health program, community-based substance abuse programs, etc.) and/or facilities (i.e., long-term care facilities) which may be operated by a hospital, but which are funded outside the ministry's approved hospital operating budget

Note:

Large capital projects are defined as those that would otherwise be considered through the existing capital planning and funding process (see the *Capital Planning Manual*), as they generally:

- are valued at more than $1 million;
- normally require the development of a Functional Program;
- require more than one year to plan, tender and complete construction; and
- result in the need for increased ministry operating funding.

Examples of such projects include replacement of an existing hospital, construction of a new wing, redevelopment of a department(s), and renovations/new construction to accommodate additional beds and/or new/expanded services.

Appendix D

Key Differences Between HIRF Approval Process and Traditional Capital Planning Process

HIRF Process (annual cycle)	**Capital Planning Process as per *Capital Planning Manual***	
Minister approves HIRF grant early in new fiscal year		
Ministry requests that each hospital submit its Project Proposal	Stage 1 Stage 2 Stage 3	Capital Project Request initiated by hospital If proposal is accepted, Minister approves project and grant (based on project priority and fiscal capacity) to develop project. Hospital submits Functional Program Once agreed-upon ministry approves hospital to proceed to next stage Hospital submits Blocks and Sketches (as appropriate)
Ministry approves Project Proposal	Stage 4 Stage 5	Once agreed-upon, ministry approves hospital to proceed to working drawings Hospital submits Contract Documents Once agreed-upon, ministry approves hospital to implement project and to proceed to tender it Hospital submits Final Estimate of Cost and bid results Ministry approves hospital to award construction contract
Ministry pays grant		Ministry makes periodic payments towards approved grant following receipt from a hospital of their architect/consultant's certificate of progress
Hospital submits Fiscal Year-end Project Report early in the fiscal year following the year being reported		Upon completion of the project, hospital submits Statement of expenditures and *Statement of Disbursement and Source of Funds Form* verified by the facility's auditors. Ministry reviews documentation, releases (as appropriate) the remaining grant to be paid to the hospital as part of the ministry's share of project costs, and settles the project, thereby closing the project file.
Hospital submits Auditor's Report for the previous fiscal year by Sept. 30 of the current fiscal year		

Glossary

Capital assets
Non-financial assets that have physical substance that are purchased, constructed, developed or otherwise acquired. Capital assets have useful lives extending beyond one year and are intended to be used on a continuing basis.

HIRF allocation
An annual appropriation of funds by the government (or the Legislative Assembly of Ontario) that the Ministry of Health and Long-Term Care may approve for use by its transfer-payment partners (i.e., public hospitals), in accordance with the ministry's Health Infrastructure Renewal Fund (HIRF).

HIRF grant
An amount of funding, approved by the Ministry of Health and Long-Term Care to a particular transfer-payment partner (i.e., a hospital), to use to assist with costs of renewing infrastructure, in accordance with the ministry's *Health Infrastructure Renewal Fund Guidelines*.

Maintenance
Work that results in a retention of the pre-determined service potential of a capital asset for a given useful life. Costs that are incurred that do not prolong an asset's economic life or improve its efficiency are not considered to be capital expenditures. Maintenance expenditures are operating expenditures and should not be included as part of capital spending.

Renewal
- Work done to extend an asset's useful life or improve its quality or functionality.
- Modernization of the asset to appreciably prolong its period of usefulness or enhance its service potential. Service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity such that associated operating costs are lowered, the useful life of the asset is extended, and the quality of the output is improved.
- Upgrade that increases the service potential of an asset (and may or may not increase the remaining useful life of the asset). This type of expenditure should be reported as a capital expenditure.

Sunset projects
Infrastructure projects which:
- had an existing ministry capital grant commitment prior to the reform of the HIRF program in fiscal year 2004/05; and
- were in progress prior to the reform of the HIRF program in 2004/05; and
- were not complete by and/or settled by March 31, 2004; and
- were subsequently transitioned into the reform of the HIRF program in fiscal year 2004/05 through the ministry providing, through an HIRF grant in 2004/05, the hospital with any remaining payments towards the approved grant amount.

Useful life
The estimated finite period over which a capital asset is expected to be used. The actual life of a capital asset may extend beyond its estimated useful life due to good maintenance or under-utilization.

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